

ST. GABRIEL HEALTH CLINIC, INC.
AUDITED FINANCIAL STATEMENTS
FEBRUARY 28, 2014 and 2013

ST. GABRIEL HEALTH CLINIC, INC.
February 28, 2014 and 2013
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
St. Gabriel Health Clinic, Inc.
St. Gabriel, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of St. Gabriel Health Clinic, Inc., (a nonprofit organization) which comprise the statement of financial position as of February 28, 2014 and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Gabriel Health Clinic, Inc., as of February 28, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited St. Gabriel Health Clinic, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 19, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other-Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 15 - 16 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, on our consideration of St. Gabriel Health Clinic, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Gabriel Health Clinic, Inc.'s internal control over financial reporting and compliance.

Barr, King, White & Co.
Ridgeland, Mississippi
October 24, 2014

ST. GABRIEL HEALTH CLINIC, INC.
Statement of Financial Position
February 28, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 94,291	\$ 51,976
Certificate of deposit	10,239	10,108
Patient care receivables, less allowance of \$(783,056) for doubtful accounts	522,037	497,150
Accounts receivable, other	<u>-</u>	<u>7,000</u>
Total Current Assets	<u>626,567</u>	<u>566,234</u>
Fixed Assets:		
Land	15,000	15,000
Building and improvements	755,375	755,375
Furniture and equipment	437,229	436,529
Vehicles	<u>24,880</u>	<u>24,880</u>
	1,232,484	1,231,784
Less: Accumulated depreciation	<u>(634,950)</u>	<u>(566,953)</u>
Net Fixed Assets	<u>597,534</u>	<u>664,831</u>
OTHER ASSETS		
Deposits	<u>6,000</u>	<u>6,000</u>
TOTAL ASSETS	<u>\$ 1,230,101</u>	<u>\$ 1,237,065</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 203,791	\$ 292,510
Salaries payable	77,850	66,512
Payroll taxes payable	23,326	14,202
Other liabilities	541	-
Notes payable, current portion	7,839	-
Line of credit payable	<u>-</u>	<u>248,070</u>
Total Current Liabilities:	<u>313,347</u>	<u>621,294</u>
Long-Term Liabilities		
Notes payable	243,977	-
Less: current portion	<u>(7,839)</u>	<u>-</u>
Total Long-Term Liabilities	<u>236,138</u>	<u>-</u>
Total Liabilities	<u>549,485</u>	<u>621,294</u>
Net Assets:		
Unrestricted		
Undesignated (operating)	<u>680,616</u>	<u>615,771</u>
Total Net Assets	<u>680,616</u>	<u>615,771</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,230,101</u>	<u>\$ 1,237,065</u>

The accompanying notes are an integral part of these financial statements.

ST. GABRIEL HEALTH CLINIC, INC.
Statement of Activities
For the Year Ended February 28, 2014 and 2013

	<u>2014</u>	<u>2013</u>
SUPPORT AND REVENUES (Note 2)		
Support:		
Grants and contracts	\$ <u>659,186</u>	\$ <u>540,116</u>
Total Support	<u>659,186</u>	<u>540,116</u>
Revenue:		
Health care services, net of charity, bad debts and contractual adjustments of \$(2,233,291)	1,588,327	1,618,449
Interest income	131	108
Other income	<u>1,083</u>	<u>4,450</u>
Total Revenue	<u>1,589,541</u>	<u>1,623,007</u>
TOTAL SUPPORT AND REVENUES	<u>2,248,727</u>	<u>2,163,123</u>
EXPENSES		
Program Services		
Health care services	<u>1,461,307</u>	<u>1,443,714</u>
Total Program Services	<u>1,461,307</u>	<u>1,443,714</u>
Supporting Services		
Management and general	<u>722,575</u>	<u>827,013</u>
Total Supporting Services	<u>722,575</u>	<u>827,013</u>
TOTAL EXPENSES	<u>2,183,882</u>	<u>2,270,727</u>
Change in Net Assets	64,845	(107,604)
Net Assets, Beginning of Year	615,771	787,748
Prior period adjustment	<u>-</u>	<u>(64,373)</u>
Net Assets, as restated	<u>615,771</u>	<u>723,375</u>
NET ASSETS, END OF YEAR	\$ <u>680,616</u>	\$ <u>615,771</u>

The accompanying notes are an integral part of these financial statements.

ST. GABRIEL HEALTH CLINIC, INC.
Statement of Cash Flows
For the Year Ended February 28, 2014 and 2013

CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:

	2014	2013
Changes in Net Assets	\$ 64,845	\$ (107,604)
Adjustments to reconcile changes in assets to net cash provided by(used in) operating activities:		
Depreciation expense	67,997	57,465
Prior period adjustment	-	(64,373)
Decrease (increase) in:		
Patient care receivables	(24,887)	(105,123)
Deposits	-	(6,000)
Accounts receivable, other	7,000	(7,000)
Prepaid expenses	-	651
Increase (decrease) in:		
Accounts payable	(88,721)	162,064
Salaries payable	11,337	(8,373)
Payroll taxes payable	5,187	(7,717)
Other liabilities	4,481	1,383
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>47,239</u>	<u>(84,627)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investments	(131)	(108)
Acquisition of fixed assets	(700)	(257,532)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(831)</u>	<u>(257,640)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in notes payable	(4,093)	-
Proceeds from borrowings	-	248,070
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(4,093)</u>	<u>248,070</u>
NET INCREASE (DECREASE) IN CASH	42,315	(94,197)
CASH, BEGINNING OF YEAR	<u>51,976</u>	<u>146,173</u>
CASH, END OF YEAR	<u>\$ 94,291</u>	<u>\$ 51,976</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 14,055</u>	<u>\$ 6,159</u>

The accompanying notes are an integral part of these financial statements.

ST. GABRIEL HEALTH CLINIC, INC.
Schedule of Functional Expenses
For the Year Ended February 28, 2014 and 2013

	Health Care Services	Total Program Services	Management and General	2014	2013
Personnel	\$ 953,747	953,747	350,211	\$ 1,303,958	\$ 1,300,936
Fringe benefits	146,620	146,620	-	146,620	148,692
Travel	5,541	5,541	17,767	23,308	38,293
Supplies	71,018	71,018	48,494	119,512	228,878
Equipment rental	-	-	6,411	6,411	223
Contractual	122,233	122,233	86,797	209,030	136,040
Legal and accounting	-	-	23,686	23,686	38,795
Dues and subscriptions	33	33	225	258	6,000
Printing	-	-	171	171	5,318
Repairs and maintenance	5,372	5,372	14,565	19,937	61,134
Insurance	1,191	1,191	40,073	41,264	16,972
Staff recruitment	-	-	150	150	201
Advertisement	-	-	-	-	20,675
Utilities	4,782	4,782	9,748	14,530	17,077
Continuing education	4,190	4,190	4,987	9,177	6,419
Communications	34,933	34,933	1,234	36,167	51,245
Licenses and fees	496	496	8,428	8,924	7,519
Janitorial	4,636	4,636	8,100	12,736	11,220
Space cost	72,000	72,000	-	72,000	36,000
Interest	-	-	14,055	14,055	6,159
Bank charges	-	-	768	768	975
Moving expenses	-	-	6,370	6,370	12,595
Board expenses	-	-	14,112	14,112	24,982
Disposal services	16,937	16,937	-	16,937	13,880
Other	<u>7,354</u>	<u>7,354</u>	<u>8,450</u>	<u>15,804</u>	<u>23,034</u>
Total expenses before depreciation	1,451,083	1,451,083	664,802	2,115,885	2,213,262
Depreciation	<u>10,224</u>	<u>10,224</u>	<u>57,773</u>	<u>67,997</u>	<u>57,465</u>
Total Expenses	<u>\$ 1,461,307</u>	<u>1,461,307</u>	<u>722,575</u>	<u>\$ 2,183,882</u>	<u>\$ 2,270,727</u>

The accompanying notes are an integral part of these financial statements.

ST. GABRIEL HEALTH CLINIC, INC.
Notes to the Financial Statements
February 28, 2014

NOTE 1 - ABOUT THE ORGANIZATION

St. Gabriel Health Clinic, Inc. (SGHC), a non-profit corporation, was incorporated in the State of Louisiana as of March 4, 1993. The primary purpose of the Corporation is to deliver primary health services to individuals and families. SGHC provides comprehensive primary health care to area residents, with particular care for the socio-economically disadvantaged. The area served consists of East Iberville and East Ascension Parishes and the surrounding areas. The services are provided through an outpatient clinic, with a referral program, health education and limited medical services for hospitalization.

The fiscal year of SGHC is March 1 to February 28.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of St. Gabriel Health Clinic, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ST. GABRIEL HEALTH CLINIC, INC.
Notes to the Financial Statements
February 28, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$5000 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 30 years.
- Acquisition of non-expendable property are treated as expenditures of the program in the period the costs are incurred, and the assets values are reported in fixed assets. Property acquired is considered owned by the Organization while used in the program for which it was purchased or in future authorized programs. However, the federal government has a reversionary interest in property purchased or acquired with federal funds; its disposition as well as the ownership of any proceeds therefrom is subjected to the regulations of the funding source.
- I. Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employee's Annual Leave - SGHC does not charge annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned. It is expensed in the period in which the employees used the leave. See Note 8.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payers and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.

ST. GABRIEL HEALTH CLINIC, INC.
Notes to the Financial Statements
February 28, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- M. Net Patient Service Revenues and Provision for Bad Debt - Net patient service revenue is reported at the estimated net realized amounts from patients, third-party payors and others for services rendered, including estimated retroactive and prospective adjustments under reimbursements agreements with third-party payors. Third-party payors retain the right to review and propose adjustments to amounts reported by Clinic. Such adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Clinic grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Additions to the allowance for doubtful accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from allowance. The amount of the provision for bad debt is based upon management's assessment of historical expected net collections, business and economic conditions, trends in Federal and state governmental health care coverage, and other collection indicators. Services rendered to individuals when payment is expected and ultimately not received are written off to the allowance for doubtful accounts.

- N. Allowance for Doubtful Accounts - The Organization provides an allowance for doubtful accounts based upon a review of outstanding patient receivables, historical collection information and existing economic conditions. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 94,291	\$ 94,291

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in one (1) financial institution located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At February 28, 2014, the Organization did not have any uninsured cash balances.

ST. GABRIEL HEALTH CLINIC, INC.
Notes to the Financial Statements
February 28, 2014

NOTE 5 - PATIENT RECEIVABLES RECEIVABLE AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Patient accounts receivable, prior to adjustment for the allowance for doubtful accounts, is summarized as follows at :

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 279,810
Government	776,727
Other	<u>248,556</u>
	<u>\$ 1,305,093</u>

Allowance for doubtful accounts is summarized as follows at February 28, 2014

<u>Accounts receivable:</u>	<u>Amount</u>
Patients	\$ 167,886
All Other	<u>615,170</u>
	<u>\$ 783,056</u>

NOTE 6 - PATIENT SERVICE REVENUE

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at

A summary of patient service revenue, net of contractual adjustments and discounts, is as follows at February 28, 2014:

<u>Patient Service Revenue</u>	<u>Amount</u>
Patient Service Revenue	\$ 3,821,618
Less: Contractual adjustment under third-party reimbursement program and discounts	(1,865,493)
Provision for bad debts	<u>(367,798)</u>
Net Patient Service Revenue	<u>\$ 1,588,327</u>

NOTE 7 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation carried in the general property fund.

<u>Assets</u>	
Land	\$ 15,000
Building and improvements	755,375
Furniture and Equipment	437,229
Vehicles	<u>24,880</u>
Total Property and Equipment	1,232,484
Less: Accumulated Depreciation	<u>(634,950)</u>
Net Property and Equipment	<u>\$ 597,534</u>

ST. GABRIEL HEALTH CLINIC, INC.
Notes to the Financial Statements
February 28, 2014

NOTE 8 - CORPORATE INCOME TAXES

St. Gabriel Health Clinic, Inc. is a non-profit corporation exempt from corporate federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1954 and from Louisiana income taxes. Therefore, no provision has been made for federal or Louisiana corporate income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of the Code.

The Organization has adopted recently issued accounting principles related to uncertain tax positions for the year ended February 28, 2014, and has evaluated its tax positions taken for all open tax years. Currently, the 2011, 2012 and 2013 tax years are open and subject to examination by the Internal Revenue Service; however, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at February 28, 2014 is not included in the financial statements. See Note 2.J. above. If the leave were included in the financial statements, it would affect the financial statements by the amount of the leave by (a) increasing expenses, (b) decreasing the excess of support and revenues over expenses and (c) increasing accrued liabilities.

NOTE 10 - SUMMARY OF FUNDING AND SUPPORT

St. Gabriel Health Clinic, Inc.'s operations are funded primarily through restricted grants from the U. S. Department of Health and Human Services. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Dept. of HHS (Health Center Cluster)	H80CS00551	3/1/13-2/28/14	\$ 461,161
U.S. Dept. of HHS - Affordable Care Act - Health Center Planning Grant	H80CS00551	3/1/13-2/28/14	170,025
Baton Rouge Area Foundation	N/A	3/1/13-2/28/14	20,000
Delta Dental Foundation	N/A	3/1/13-2/28/14	8,000
TOTALS			\$ 659,186

ST. GABRIEL HEALTH CLINIC, INC.
Notes to the Financial Statements
February 28, 2014

NOTE 11-LONG-TERM NOTES PAYABLE

Mortgage notes payable consist of the following at February 28, 2014:

A. Note payable to Iberville Bank; interest stated at 5%; due in monthly installments of \$1,605 which includes principal and interest; matures July 2033; secured by real estate	\$ 243,977
Less: Current Portion	<u>(7,839)</u>
Total Long Term Debt	<u>\$ 236,138</u>

Maturities of long-term debt are as follows:

2014	\$ 7,839
2015	8,219
2016	8,618
2017	9,036
2018	9,475
Thereafter	<u>200,790</u>
Totals	<u>\$ 243,977</u>

NOTE 12 - LITIGATION

St. Gabriel Health Clinic, Inc. maintains general liability, property, managed care professional liability, directors and officers and other insurance coverage in amounts the Company believes to be adequate.

In the ordinary course of its business, St. Gabriel Health Clinic, Inc. is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Company is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of St. Gabriel Health Clinic, Inc.

NOTE 13 - CONCENTRATION OF CONTRIBUTIONS OR GRANTS

Approximately 25% of the Organization's funding is provided by direct grants from the U. S. Department of Health and Human Services.

NOTE 14 - GRANT BALANCES AND GRANT CONDITIONS

The Organization has responsibility for expending grant funds in accordance with specified instructions from its funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization.

Any unexpended grant funds at the end of the grant period may be refundable or carried over to the following period at the discretion of the funding sources.

ST. GABRIEL HEALTH CLINIC, INC.
Notes to the Financial Statements
February 28, 2014

NOTE 14 - GRANT BALANCES AND GRANT CONDITIONS (Continued)

Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limits of the Single Audit Act of 1996, as amended. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

NOTE 15 - COMMITMENTS AND CONTINGENCIES - OPERATING LEASES

The following is a schedule by years of minimum future space rentals on non-cancelable operating leases as of February 28, 2014.

Year Ending February 28:	
2015	\$ 72,000
2016	72,000
2017	72,000
2018	<u>36,000</u>
TOTALS	\$ <u>252,000</u>

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 24, 2014, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

SCHEDULE A

ST. GABRIEL HEALTH CLINIC, INC.
Schedule of Health Care Services Expenses
For the Year Ended February 28, 2014

EXPENSES

Personnel	\$ 953,747
Fringe benefits	146,620
Travel	5,541
Supplies	71,018
Contractual	122,233
Dues and subscriptions	33
Repairs and maintenance	5,372
Insurance	1,191
Utilities	4,782
Continuing education	4,190
Communications	34,933
License and fees	496
Janitorial	4,636
Space cost	72,000
Disposal services	16,937
Other	<u>7,354</u>
Total Expenses	\$ <u>1,451,083</u>

SCHEDULE B

ST. GABRIEL HEALTH CLINIC, INC.
Schedule of Management and General Expenses
For the Year Ended February 28, 2014

EXPENSES

Personnel	\$ 350,211
Travel	17,767
Supplies	48,494
Equipment rental	6,411
Contractual	86,797
Legal and accounting	23,686
Dues and subscriptions	225
Printing	171
Repairs and maintenance	14,565
Insurance	40,073
Staff recruitment	150
Utilities	9,748
Continuing education	4,987
Communications	1,234
License, taxes and fees	8,428
Janitorial	8,100
Interest	14,055
Bank and finance charges	768
Moving expenses	6,370
Board expenses	14,112
Other	<u>8,450</u>
Total Expenses	\$ <u>664,802</u>

ST. GABRIEL HEALTH CLINIC, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended February 28, 2014

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration			
Direct Grants:			
Health Care Centers Cluster			
Consolidated Health Centers	93.224	H80CS00551	\$ 461,161
Affordable Care Act Grants for New and Expanded Services Under the Health Care Program	93.527	H80CS00551	<u>170,025</u>
Total Health Centers Cluster			<u>631,186</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>631,186</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 631,186</u>

ST. GABRIEL HEALTH CLINIC, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended February 28, 2014

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by St. Gabriel Health Clinic, Inc., for the year ended February 28, 2014, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between St. Gabriel Health Clinic, Inc., it is not intended to and does not present either the financial position or the changes in net assets of St. Gabriel Health Clinic, Inc.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
St. Gabriel Health Clinic, Inc.
St. Gabriel, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Gabriel Health Clinic, Inc., which comprise the statement of financial position as of February 28, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Gabriel Health Clinic, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Gabriel Health Clinic, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of St. Gabriel Health Clinic, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (Finding 2014-2)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. (Finding 2014-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Gabriel Health Clinic, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-1.

St. Gabriel Health Clinic, Inc.'s Response to Findings

St. Gabriel Health Clinic, Inc.'s response to the findings identified in our audit is described in the accompanying auditee's corrective action plan. St. Gabriel Health Clinic, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barr, Fing, White & Co.
Ridgeland, Mississippi
October 24, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
St. Gabriel Health Clinic, Inc.
St. Gabriel, Louisiana

Report on Compliance for Each Major Federal Program

We have audited St. Gabriel Health Clinic, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of St. Gabriel Health Clinic, Inc.'s major federal programs for the year ended February 28, 2014. St. Gabriel Health Clinic, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of St. Gabriel Health Clinic, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Gabriel Health Clinic, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of St. Gabriel Health Clinic, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, St. Gabriel Health Clinic, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2014.

Report on Internal Control Over Compliance

Management of St. Gabriel Health Clinic, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered St. Gabriel Health Clinic, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of St. Gabriel Health Clinic, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bart, Fing, White & Co.

Ridgeland, Mississippi
October 24, 2014

ST. GABRIEL HEALTH CLINIC, INC.
Schedule of Findings and Questioned Costs
Year Ended February 28, 2014

Section 1: Summary of Auditor's Results

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements. | Unmodified |
| 2. | Material noncompliance relating to the financial statements. | Yes |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified that is not considered to be a material weakness? | Yes |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 6. | Any audit findings reported as required by Section .510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |

CFDA Numbers	Name of Federal Program or Cluster
	Health Center Cluster:
93.224	Consolidated Health Centers
93.527	Affordable Care Act Grants for New and Expanded Services Under the Health Care Program

- | | | |
|----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and Type B programs: | \$300,000 |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2 - Findings - Financial Statements Audit

LATE SUBMISSION OF AUDIT REPORT

Finding 2014-01

Condition:

The audit report for the year ended February 28, 2014 was not submitted within the six (6) months after year end as required by the Louisiana Legislative Auditor's.

Cause:

Failure to comply with the Louisiana Legislative Auditor's financial reporting requirements.

Effect:

The Organization is not in compliance with the Louisiana Legislative Auditor's financial reporting requirements.

ST. GABRIEL HEALTH CLINIC, INC.
Schedule of Findings and Questioned Costs
Year Ended February 28, 2014

Section 2 - Findings - Financial Statements Audit (continued)

Criteria:

State of Louisiana Legislative Auditor's audit financial reporting requirement (R.S. 24:513 and 24:514).

Recommendation:

The Organization should adopt internal administrative control procedures to ensure that all future audits are completed in a timely manner that allows for the timely submission of its annual audit to the Louisiana Legislative Auditor.

Finding 2014-2

PATIENT RECEIVABLE RECONCILIATION

Condition

The Center did not follow its established procedures to reconcile patient and third party accounts receivable transactions in the subsidiary ledger to amounts recorded in the Clinic's general ledger.

Cause

The Center failed to follow its established procedures.

Effect

Adjustments were proposed during the audit in order to reconcile accounts and record transactions.

Criteria

Generally Accepted Accounting Principles (GAAP) for revenue recognition.

Auditor's Recommendation

Internal administrative controls should be implemented to ensure that patient receivable reconciliations are done on a monthly basis and that provisions are also made for the adjustment of uncollectible accounts receivable. Additionally, internal administrative controls should be implemented to ensure that all patient receivable transactions are properly recorded to the books during the year.

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE

ST. GABRIEL HEALTH CLINIC, INC.
Schedule of Findings and Questioned Costs
Year Ended February 28, 2014

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315(c) of OMB Circular A-133, the St. Gabriel Health Clinic, Inc. has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended February 28, 2014:

ST. GABRIEL HEALTH CLINIC, INC.
Post Office Box 209
5760 Monticello Drive
St. Gabriel, LA 70776
225-642-9676 (voice)
225-642-9696 (fax)

Corrective Action Plan

St. Gabriel Health Clinic, Inc. respectfully submits the following corrective action plan for the year ended February 28, 2014.

Name and address of independent public accounting firm: Banks, Finley, White & Co., 308 Highland Park Cove, Ridgeland, MS 39157.

Audit period: Year Ended February 28, 2014

The findings from February 28, 2014 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule, Section 2 of the schedule, Summary of Audit Results, does not include findings and are not addressed.

LATE SUBMISSION OF AUDIT REPORT

Finding 2014-01

Condition:

The audit report for the year ended February 28, 2014 was not submitted within the six (6) months after year end as required by the Louisiana Legislative Auditor's.

Recommendation:

The Organization should adopt internal administrative control procedures to ensure that all future audits are completed in a timely manner that allows for the timely submission of its annual audit to the Louisiana Legislative Auditor.

Plan of Corrective Action:

While we concur with the condition as stated in the audit report, we nevertheless, have a document trail attesting to the auditor's engagement within an appropriate time for the finding to not exist. However, we do lack an internal process of follow-up to ensure that a schedule is both confirmed and adhered. All audit matters remain a function of the Chief Financial Officer who is also held accountable for development of appropriate procedures. Additionally, we will schedule "Project Management" training to supplement utilization of the calendar found in the Microsoft Outlook software for "to-do" task management.

Finding 2014-2

PATIENT RECEIVABLE RECONCILIATION

Condition:

The Center did not follow its established procedures to reconcile patient and third party accounts receivable transactions in the subsidiary ledger to amounts recorded in the Clinic's general ledger.

Recommendation:

Internal administrative controls should be implemented to ensure that patient receivable reconciliations are done on a monthly basis and that provisions are also made for the adjustment of uncollectible accounts receivable. Additionally, internal administrative controls should be implemented to ensure that all patient receivable transactions are properly recorded to the books during the year.

Plan of Corrective Action:

We concur with the auditors' findings. While governance continued to seek additional data to confirm financial reports, this process resulted in the engagement of an external financial consultant to review inconsistencies noted within financial reports. Subsequently, we were made aware of financial data from the previous year's audit not recorded in the financial system and receivable reports presented whose calculations could not be confirmed. Additionally, during this external review it was determined that third party financial data serving as the foundation for financial reports issued, contained figures for previous fiscal year. The absence of date specific reports with page numbers became a matter of corrective action by the contractor inclusive of more stringent supervision of personnel preparing and distributing such reports to FQHC clients.